



July 12, 2006

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Director
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Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Proposed Banning Ranch Sphere of Influence Amendment
(SOI 06-20)

APPLICANT:

City of Costa Mesa, by City Council resolution.

PROPOSAL:

The City of Costa Mesa is requesting a sphere of influence amendment for 465 acres of unincorporated territory which comprises a portion of Banning Ranch. The territory is currently within the City of Newport Beach sphere of influence. Banning Ranch is located between the Cities of Costa Mesa and Newport Beach, east of the Santa Ana River, south of 19th Street, and north of Pacific Coast Highway. (See Exhibit A on page 6 of this report.) The property is currently separated from the City of Costa Mesa on the west, north and northeast by a one-foot wide strip of property that was annexed to the City of Newport Beach in 1950. The request would change the territory's sphere from the City of Newport Beach to the City of Costa Mesa.

BACKGROUND:

Currently undeveloped, Banning Ranch has been used for oil extraction purposes over the last 75 years. The ultimate use of the Banning Ranch property is yet to be determined – the property owner of Banning Ranch, Newport Banning LLC, is currently exploring development options for the property through the City of Newport Beach. One potential alternative under consideration is development of a portion of the site with residential uses, limited retail commercial uses and a small hotel.

The northeastern portion of Banning Ranch is located immediately adjacent to the City of Costa Mesa's Westside "revitalization area" and the City's West 17th and West 19th Streets "dead-end" at the Banning Ranch property line. The City of Costa Mesa's application indicates the following primary reasons for their sphere of influence amendment request:

- Primary vehicle access to Banning Ranch will be through City of Costa Mesa streets and neighborhoods, specifically West 17th and West 18th Streets.
- City of Costa Mesa municipal services, including police and fire, can be logically extended to Banning Ranch from the City's existing street network and neighborhoods.
- The City of Costa Mesa will ensure adoption of land use planning goals and implementation measures for Banning Ranch that are consistent with the City's current Westside revitalization strategies.

ANALYSIS:

The 1950 "strip annexation" to the City of Newport Beach has prevented LAFCO from seriously considering long-term municipal service provision for Banning Ranch from any agency other than the City of Newport Beach. To date, this situation has not been problematic because the property has remained undeveloped and in oil production for the past 75 years. Public access to the site is restricted and few municipal services have been required to serve the property.

However, that situation may be changing. Given the site's coastal location and ocean views, combined with the County's continuing demand for new housing, the current property owner is now exploring development opportunities for the site. If the site develops, municipal services must be extended to serve new residents and/or businesses. Because the property is located between both cities, it is unclear which city could provide services most efficiently and cost effectively.

One-Foot Strip Limits Options

With the approximately 9,841-foot long (slightly less than two miles), one-foot wide strip of Newport Beach in place, however, approving the City of Costa Mesa's request cannot lead to eventual annexation of the property to either Costa Mesa or Newport Beach for the following reasons:

- If the Commission places the property in the Costa Mesa SOI, the one-foot strip of Newport Beach prevents annexation to Costa Mesa because the property is non-contiguous. State law (Government Code Section 56742) precludes a city

July 12, 2006

RE: Banning Ranch SOI

Page 3 of 7

from annexing non-contiguous territory unless the property is owned by the city and used for municipal purposes.

- Annexation of Banning Ranch to the City of Newport Beach is also precluded if the Commission places the property in the Costa Mesa SOI. Annexation to a city first requires that the property be located within that city's SOI. The City of Newport Beach cannot annex territory located in the Costa Mesa sphere.

One option to allow for meaningful discussion between all parties on service provision to Banning Ranch is for the City of Newport Beach to detach approximately 2,380 feet (less .5 mile) of the one-foot strip as shown on Exhibit B on page 7 of this report. The detachment, recommended by staff as condition of approval on the City of Newport Beach's request to annex West Santa Ana Heights (also being considered by your Commission today), would allow all parties to identify the full range of service options and service providers available for Banning Ranch.

ALTERNATIVE COMMISSION ACTIONS

There are several options available for the Commission to consider when evaluating the City of Costa Mesa's request for a sphere change for Banning Ranch. Key options are summarized below, followed by staff comments on each alternative.

Options:

1. *Approve the City of Costa Mesa's sphere of influence amendment request for Banning Ranch, changing the territory's SOI from Newport Beach to Costa Mesa. This option would preclude annexation of Banning Ranch to either Costa Mesa (property is non-contiguous to the City) or to Newport Beach (property must be in city's sphere to be annexed).*
2. *Deny the City of Costa Mesa's sphere of influence amendment request for Banning Ranch. This option respects the existing sphere of influence boundary for Banning Ranch that has been in existence for 30 years and allows for eventual annexation of the property to the City of Newport Beach.*
3. *Deny the Costa Mesa's sphere of influence amendment request for Banning Ranch, and place the Banning Ranch territory in a LAFCO sphere of influence "study area." This alternative postpones any decision on a sphere of influence change in Banning Ranch pending future discussions by LAFCO, the landowner, the City of Newport*

Beach and the City of Costa Mesa regarding long-term service delivery for Banning Ranch.

ENVIRONMENTAL REVIEW

The City of Costa Mesa, as lead agency, has determined that the proposed annexation is categorically exempt from the California Environmental Quality Act (CEQA). A copy of the City's environmental determination is included as Attachment 1 for the Commission's review.

LETTERS OF COMMENT

Four letters of comment (Attachments 2 through 5) were received by staff and are summarized below:

City of Newport Beach: The City of Newport Beach comment letter (Attachment 2) opposes the sphere of influence change for Banning Ranch. The letter references the one-foot strip of incorporated Newport Beach that surrounds portions of Banning Ranch and discusses efforts in the City's existing and proposed General Plan to identify land use designations for Banning Ranch. The letter also cites the ability of the City to provide both access and municipal services to the territory.

City of Costa Mesa: The City of Costa Mesa, in response to the City of Newport Beach's comment letter (referenced above), indicates that the one-foot strip of Newport Beach should not preclude LAFCO from considering an extension of Costa Mesa's municipal services to Banning Ranch. The City supports a "partial" detachment of the 1-foot strip that would allow existing development to remain in Newport Beach, cites vehicular access opportunities to Banning Ranch from the City as well as an array of nearby municipal services. The City's comment letter is included as Attachment 3.

Newport Banning LLC: As "surface owners" of Banning Ranch, Newport Banning LLC states in their comment letter (Attachment 4) that detailed planning work for the Banning Ranch property has only recently begun. The letter indicates that Newport Banning LLC has been working with the City of Newport Beach as the City continues work on its 20-year General Plan update, but would like to have an opportunity to explore all options for provision of public services to their property.

Mesa Consolidated Water District: Mesa's comment letter (Attachment 5) indicates that the district has adequate water transmission and distribution pipelines adjacent to Banning Ranch that can serve the area.

RECOMMENDATIONS:

Staff recommends that the Commission:

1. Certify that the Commission has reviewed and considered the information contained within the City of Costa Mesa's environmental determination as described in Attachment 1.
2. Deny the City of Costa Mesa's sphere of influence amendment request at this time, and place the Banning Ranch territory into a LAFCO sphere of influence "study area" pending completion of facilitated discussions between LAFCO and the Cities of Costa Mesa and Newport Beach.

JOYCE CROSTHWAITE

BOB ALDRICH

Exhibits:

- A. Banning Ranch Location Map
- B. Banning Ranch - Proposed Detachment Area

Attachments:

1. Categorical Exemption (Costa Mesa)
2. Comment Letter - City of Newport Beach
3. Comment Letter - City of Costa Mesa
4. Comment Letter - Newport Banning LLC
5. Comment Letter - Mesa Consolidated Water District

Exhibit A – Banning Ranch Location Map

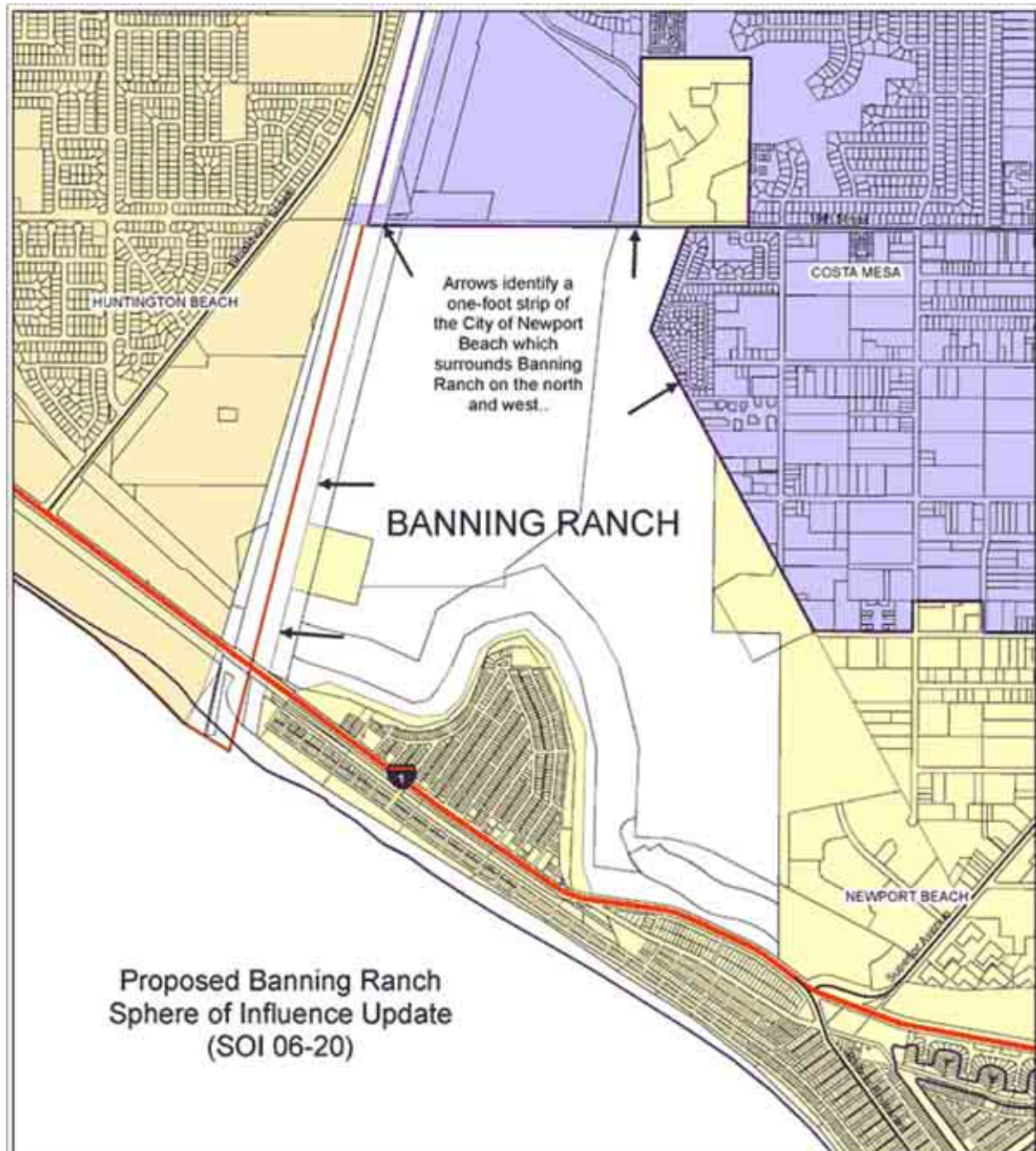
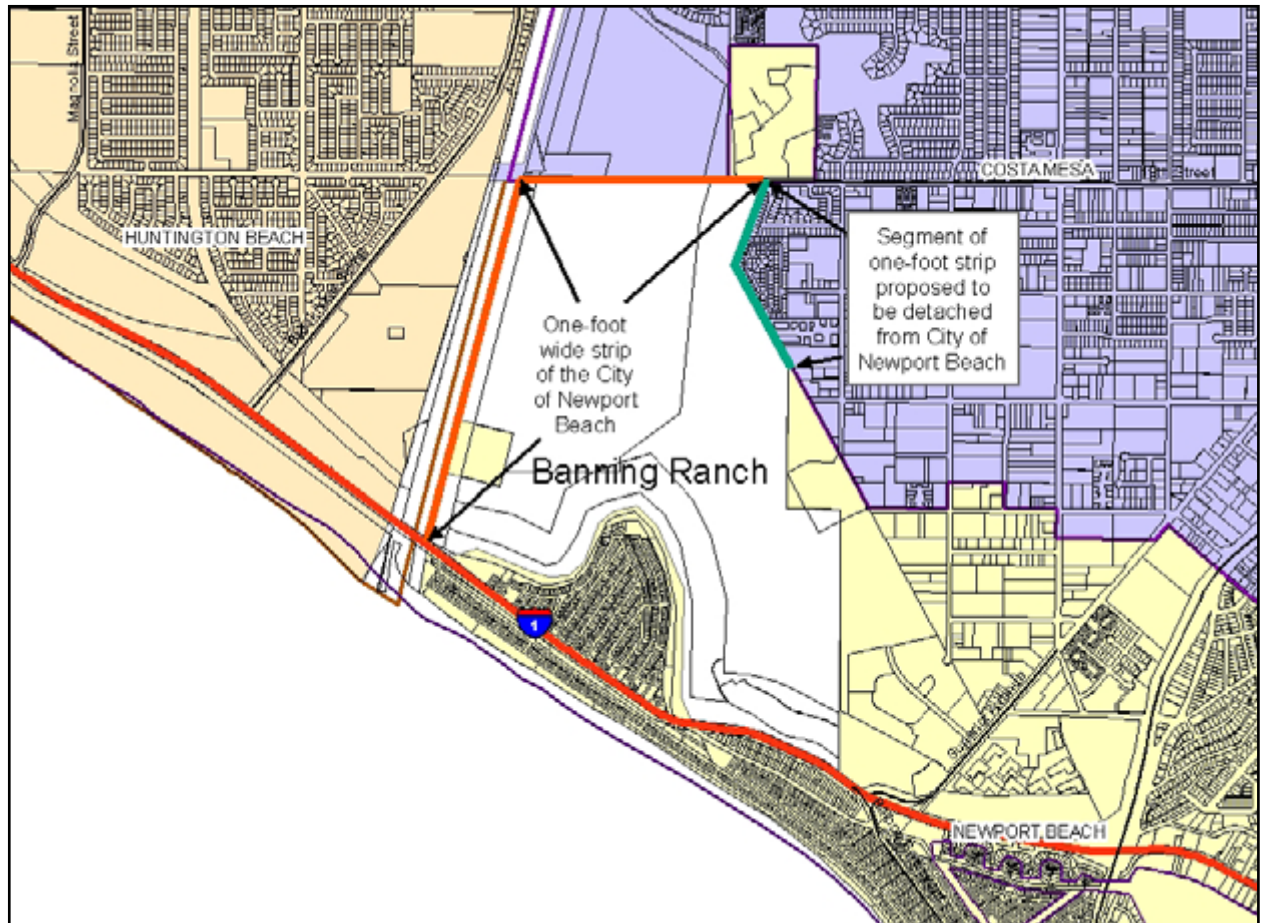


Exhibit B – Proposed Detachment of 1-foot Segment of Newport Beach





Attachment 1 – Categorical Exemption (City of Costa Mesa)

NOTICE OF EXEMPTION

To: ☐ Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

☒ County Clerk-Recorder
County of Orange
P.O. Box 238, Santa Ana, CA 92702-0238

From: City of Costa Mesa
Development Services Dept.
77 Fair Drive, P.O. Box 1200
Costa Mesa, CA 92628

☐ \$43 Filing Fee Attached
☒ No Fee – City projects exempt from filing fee

Project Title: **SPHERE OF INFLUENCE REORGANIZATION BETWEEN THE CITIES OF COSTA MESA AND NEWPORT BEACH IN RESPECT TO BANNING RANCH.**

Project Location: **BANNING RANCH IS GENERALLY LOCATED SOUTH OF THE EXTENSION OF W. 19TH STREET, EAST OF THE SANTA ANA RIVER, NORTH OF W. COAST HWY., AND WEST OF THE TERMINUS OF W. 17TH AND W. 16TH STREETS.**

Project Location – City: **NONE- UNINCORPORATED AREA** Project Location – County: **ORANGE CO.**

Description of Nature, Purpose, and Beneficiaries of Project:

A REORGANIZATION OF THE SPHERE OF INFLUENCE FOR BANNING RANCH FROM THE CITY OF NEWPORT BEACH TO THE CITY OF COSTA MESA. THE EXISTING POWERS OF THE COUNTY OF ORANGE AND OTHER MUNICIPAL AGENCIES REGARDING THIS AREA REMAIN UNCHANGED.

Name of Public Agency Approving Project: **ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION**

Name of Person or Agency Carrying Out Project: **CITY OF COSTA MESA**

Exempt Status: (Check One)

- ☐ Ministerial (Sec. 21080(b)(1); 15268);
- ☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));
- ☐ Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- ☒ Categorical Exemption. State type and section number: **CLASS 20 EXEMPTION, CEQA GUIDELINES SECTION 15320**
- ☐ Statutory Exemptions. State code number:

Reasons why project is exempt:

THE REORGANIZATION OF THE SPHERE OF INFLUENCE FOR BANNING RANCH DOES NOT AFFECT THE AGENCIES THAT ARE CURRENTLY PROVIDING SERVICES TO THIS AREA.

Lead Agency Contact Person: **KIMBERLY BRANDT, PRINCIPAL PLANNER** Phone: **(714) 754-5604**

If filed by applicant:

1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? ☐ Yes ☐ No

Signature: _____ Date: _____ Title: _____

FISH & GAME FEES: Pursuant to Section 711.4(c)(2)(A) of the California Fish and Game Code, the project is exempt from fees since it is exempt from CEQA.

☒ Signed by Lead Agency

Date received for filing at OPR: _____

☐ Signed by Applicant

Filed with the County Clerk: ☐ Yes ☐ No

Date Filed: _____



Attachment 2 – Comment Letter, City of Newport Beach



CITY OF NEWPORT BEACH

OFFICE OF THE MAYOR

 RECEIVED
 MAY 03 2006
Mayor

Don Webb

Mayor Pro Tem

Steven Rosansky

Council Members

Keith D. Curry

Leslie J. Daigle

Richard A. Nichols

Tod W. Ridgeway

Edward D. Selich

April 28, 2006

Ms. Joyce Crosthwaite, Executive Officer
 Orange County Local Agency Formation Commission
 12 Civic Center Plaza, Room 235
 Santa Ana, California 92701

LOCAL AGENCY FORMATION COMMISSION

RE: Proposed Banning Ranch SOI Amendment (SOI 06-20)

REVISED LETTER

Dear Ms. Crosthwaite:

Per Orange County LAFCO's memorandum of April 14, 2006, the City of Newport Beach must respectfully oppose the proposed Sphere of Influence (SOI) amendment offered by the City of Costa Mesa for the Banning Ranch area. The City believes that Banning Ranch's SOI is appropriate as it stands today for the following reasons:

- The area is not adjacent to Costa Mesa. A 1' strip of incorporated Newport Beach surrounds the northern and westerly edge of the Banning Ranch - a strip that has been in place since 1950. Any SOI change that affects incorporated Newport Beach - including this strip - should necessarily involve a detachment from Newport Beach, a detachment proceeding that our City Council will oppose.
- This 1' strip connects Newport Terrace to the remainder of Newport Beach. We are concerned about any detachment of Newport Terrace, because we believe that Newport Beach has an ongoing and important role in working with the Newport Terrace community given the closed city landfill and the methane monitoring there.
- The City of Newport Beach's existing General Plan and our proposed updated General Plan includes land use designations for the Banning Ranch. Both include policies in each General Plan Element for the City to serve and process approvals for the development of the area and as a means to protect as much of the area as environmental open space as possible.
- In addition to including the area in our General Plan, we have always been prepared to provide municipal services to the region, including Police, Emergency Medical Services, and Fire services. Banning Ranch is immediately adjacent to or nearby our two corporate yards, which provide utility administration, street sweeping, storm drain maintenance, trash collection, road repair, and many other field services.

cc: Members of the Newport Beach City Council
Supervisor Jim Silva, 2nd District
Homer Bludau, City Manager
Robin Clauson, City Attorney
Allan Roeder, City Manager of Costa Mesa



Attachment 3 – Comment Letter, City of Costa Mesa



CITY OF COSTA MESA

CALIFORNIA 92628-1200

P.O. BOX 1200

FROM THE OFFICE OF THE MAYOR

RECEIVED
JUN 05 2006

LOCAL AGENCY FORMATION COMMISSION

May 30, 2006

Ms. Joyce Crosthwaite, Executive Officer
Orange County Local Agency Formation Commission
12 Civic Center Plaza, Room 235
Santa Ana, California 92701

SUBJECT: PROPOSED BANNING RANCH SPHERE OF INFLUENCE AMENDMENT (SOI 06-20)

Dear Ms. Crosthwaite,

The City of Costa Mesa has reviewed the correspondence from the City of Newport Beach dated April 28, 2006 regarding our proposed sphere of influence application for Banning Ranch. In response to Newport Beach's correspondence, we offer the following information for your consideration.

- Costa Mesa does not believe that the 1-foot strip of Newport Beach that encompasses Banning Ranch negates the fact that indeed Costa Mesa shares a 4,800-foot long common boundary with Banning Ranch. Mayor Webb states in his letter that this incorporation occurred in the 1950s. This statement is very relevant to this application, since it is exactly this type of incorporation practice that led to the adoption of State law that required Local Agency Formation Commissions (LAFCOs) to be formed, and we believe that an incorporation such as this would not be approved under current State law. We further believe that Newport Beach's 1-foot strip should not automatically predispose LAFCO's determination on our application, nor should it preclude LAFCO's consideration of the logical extension of Costa Mesa's municipal services to Banning Ranch.
- Costa Mesa believes there is a practical solution that results in only a partial detachment of the 1-foot strip that will allow Newport Terrace to remain in the City of Newport Beach. A partial detachment will allow Newport Beach to continue their role of monitoring the methane gas and working with the Newport Terrace community.
- The City of Costa Mesa General Plan has long identified the sensitive and valuable regional resources that exist all along the Santa Ana River and to this end, the City has adopted a master plan for Costa Mesa's 200-acre Fairview Park that promotes passive uses and the preservation and restoration of the park's native resources. Additionally, the City's 2000 General Plan Open Space Element discusses the importance of trail linkages between Upper Newport Bay, Fairview Park, the Santa Ana River, and the North Talbert/Fairview Regional Park. Therefore, it is logical to conclude that Costa Mesa will ensure that this valuable regional open space spine is continued into Banning Ranch.
- As stated in our SOI application, numerous municipal services and facilities currently exist in Costa Mesa's Westside, which are conveniently located to Banning Ranch. This includes a Police Substation on West 18th Street and Costa Mesa Fire Station Number 3 located at 1865 Park Avenue. Costa Mesa Fire Station Number 4 is located at 2300 Placentia Avenue. The City of Costa Mesa Downtown Center located on Anaheim

Avenue includes community rooms and an Olympic size pool. The Neighborhood Community Center located on Park Avenue also includes numerous community rooms and is the center for many community events. The Orange County Costa Mesa Branch Library is located at 1855 Park Avenue.


- In respect to circulation access to Banning Ranch, Newport Beach's letter states that primary access to the property will be via Pacific Coast Highway via "Bluff Road", 16th Street, 15th Street and Ticonderoga, and no planning studies indicate the use of Costa Mesa's streets. As shown on the Figure 1, the Orange County Transportation Authority's Master Plan of Arterial Highways indicates future connections to Bluff Road (a planned major arterial that runs in a north/south direction through Banning Ranch) from both West 19th Street and the extension of West 17th Street, which are Costa Mesa's streets east of Banning Ranch. Additionally, OCTA's master plan indicates that West 17th Street is to ultimately connect to Pacific Coast Highway through Banning Ranch. The Costa Mesa Master Plan of Highways also shows these arterial connections (Figure 2). We have also attached a copy of the City of Newport Beach's proposed Master Plan of Streets and Highways (Figure 3) that shows West 17th Street extending to Bluff Road and Bluff Road connecting to West 19th Street.

Therefore, we respectfully once again assert that primary circulation access to Banning Ranch from the north and east will be provided through Costa Mesa's neighborhoods and street system. Furthermore, if Bluff Road is ultimately connected to Victoria Street, a direct access to Banning Ranch from Fountain Valley and Huntington Beach to the northwest will be created through, once again, Costa Mesa.

- Finally, Newport Beach indicates that our SOI application may undermine efficient planning and development processing. We contend that efficient and logical planning is exactly what our SOI application is intended to promote for Banning Ranch. We believe that Newport Beach's 1-foot strip has created an artificial and arbitrary barrier that impedes a comprehensive planning analysis of one the County's most valuable coastal resource areas.

We look forward to working with LAFCO, the City of Newport Beach, and the County of Orange regarding our SOI application and reaching an equitable solution for Banning Ranch.

Sincerely,


ALLAN R. MANSOOR
Mayor

Attachments

c: Costa Mesa City Council
Homer Bludeau, Newport Beach City Manager
Dave Kiff, Newport Beach Assistant City Manager



Attachment 4 – Comment Letter, Newport Banning LLC

Newport Banning Ranch LLCRECEIVED
APR 28 2006

April 27, 2006

LOCAL AGENCY FORMATION COMMISSION

Mr. Bob Aldrich
Assistant Executive Officer
Orange County Local Agency Formation Commission
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

SUBJECT: PROPOSED "BANNING RANCH SPHERE OF INFLUENCE
AMENDMENT (SOI 06-20)"

Dear Mr. Aldrich:

This letter is submitted in response to the request for comments made in your correspondence dated April 14, 2006. We represent the surface owners of approximately 402 acres of the property commonly referred to as the Banning Ranch. Although a portion of our land is located in the City of Newport Beach, the majority of our property lies within unincorporated Orange County territory presently in the Sphere of Influence ("SOI") of Newport Beach. For your information, an additional 10 acres of property owned by the Newport Mesa Unified School District is also typically associated with the Banning Ranch site but we are not in a position to represent the views of the School District. We have attached a Political Boundaries map to this letter which may help to illustrate current Banning Ranch ownership and jurisdictional relationships.

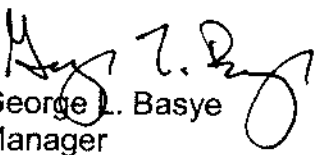
As your letter points out, the Banning Ranch property has been the site of extensive oil field producing operations for many decades. These operations presently affect or encumber most of the site. It is the intention of the surface owners to proceed with a comprehensive planning and entitlement effort over the next several years that is expected to result in consolidation of the oil field uses into a number of smaller discrete drilling and producing sites which will, following a significant oil field abandonment and remediation program, permit the transformation of the balance of the land into a master planned real estate development. This plan is currently anticipated to provide for variety of residential housing units and retail commercial opportunities along with the provision of substantial open space focused on preservation of sensitive resources and recreational use.

Our detailed planning work for the Banning Ranch property is just now getting underway. Thus far we have assumed our unincorporated Banning Ranch property would be developed in either the City of Newport Beach, pursuant to the negotiated terms of a preannexation and development agreement, or under the purview of the

County of Orange. Accordingly, we have been working in earnest with the City of Newport Beach as they are in the midst of a citywide 20-year general plan update that also includes our property. The general plan dialogue with Newport Beach has been ongoing for at least the last two years but likely won't be complete until late this year. Your letter indicates the City of Costa Mesa is requesting the proposed SOI change. As of this date, we have not yet had an opportunity to meet with representatives from Costa Mesa to better understand their goals and objectives. In light of the above, we are unable to offer definitive thoughts on the proposal at this time. It is also not clear to us what is driving the perceived urgency of this potential action and we saw no schedule or timetable in your letter. It seems to us that it would make sense to defer any final or irreversible action until such time as all parties have a chance to further explore applicable synergies for provision of public services and benefits related to our land. Therefore, we respectfully are reserving our right to offer further comment.

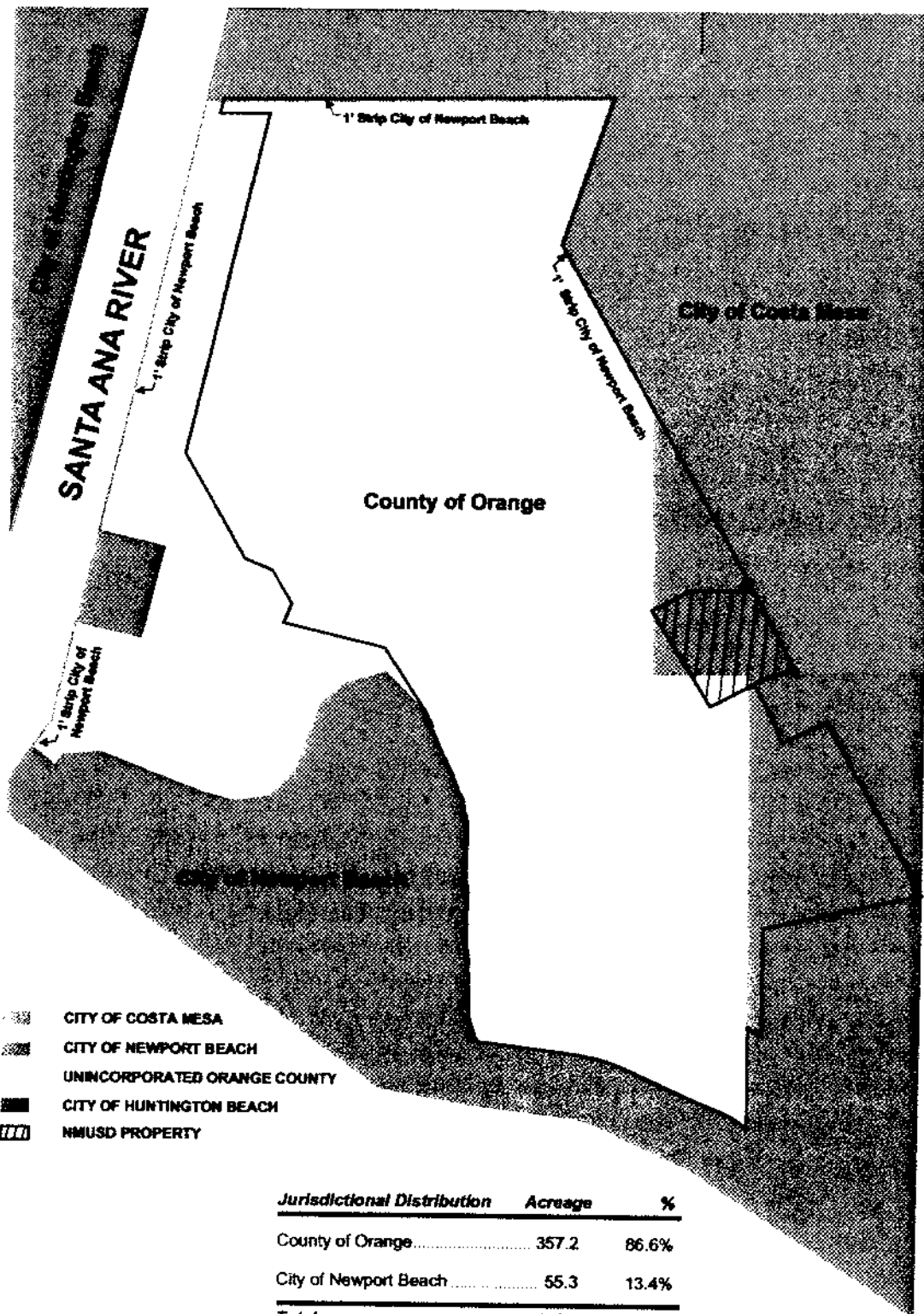
In summary, although our Banning Ranch property has a number of complex issues that must be resolved, it will be a fundamental tenet of our planning to further develop and maintain positive relations with all of our neighbors. We look forward to collaboration with your agency and all affected stakeholders in the coming months to hopefully identify the best option for all parties. If you have any questions feel free to contact me at any time.






Sincerely,


George L. Basye
Manager
Newport Banning Ranch LLC

GLB:mep

Attachment



-  CITY OF COSTA MESA
-  CITY OF NEWPORT BEACH
-  UNINCORPORATED ORANGE COUNTY
-  CITY OF HUNTINGTON BEACH
-  NMUSD PROPERTY

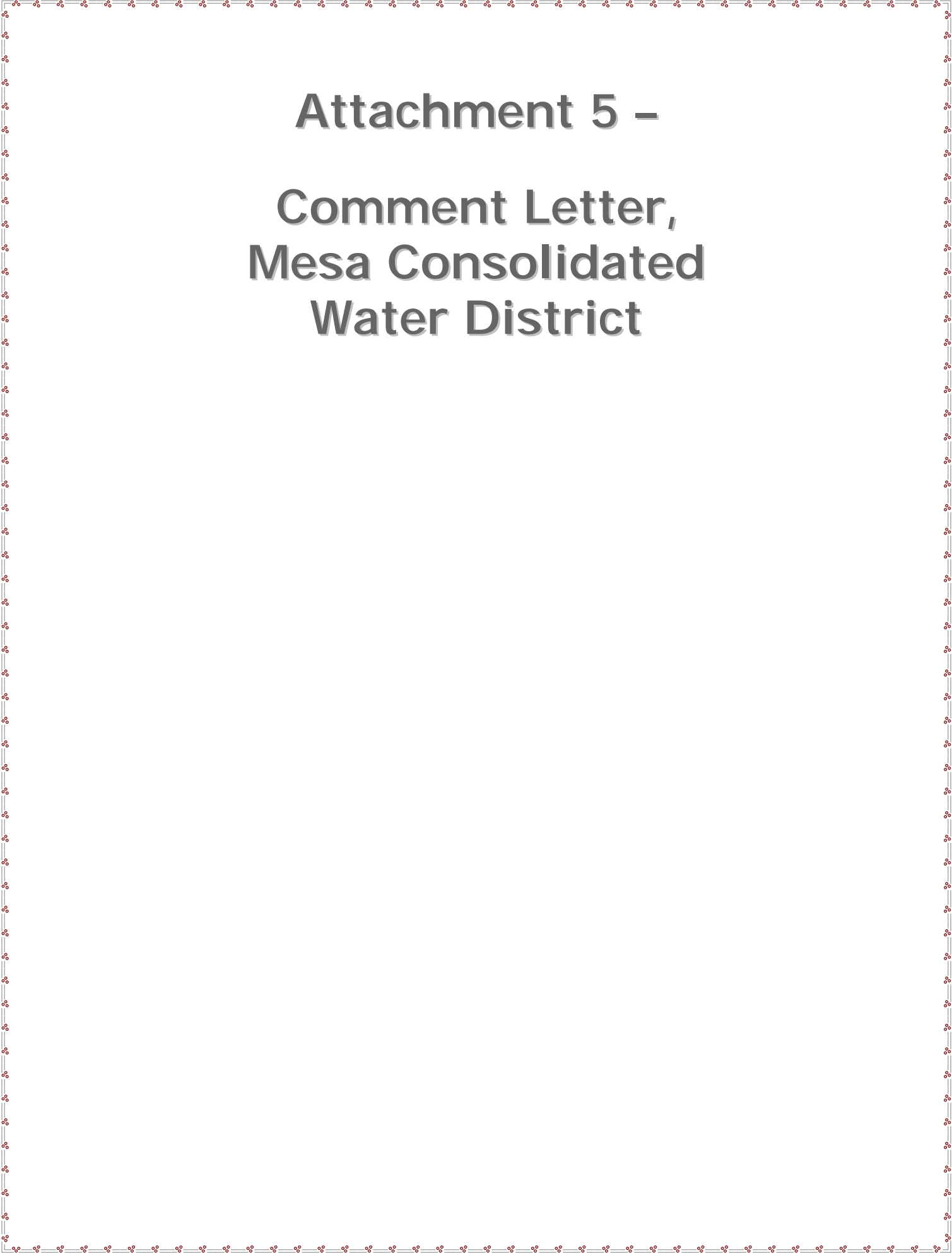
<i>Jurisdictional Distribution</i>	<i>Acreage</i>	<i>%</i>
County of Orange.....	357.2	86.6%
City of Newport Beach.....	55.3	13.4%
Totals.....	412.5*	100.0%

**Includes NMUSD Parcel*



POLITICAL BOUNDARIES

Date Prepared 11/14/02



Attachment 5 – Comment Letter, Mesa Consolidated Water District

RECEIVED
APR 28 2006

*District Mission:
Dedicated to Satisfying
our Community's
Water Needs*

April 27, 2006

LOCAL AGENCY FORMATION COMMISSION

Mr. Bob Aldrich
Assistant Executive Officer
Local Agency Formation Commission Orange County
12 Civic Center Plaza, Room 235
Santa Ana, California 92701

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VICTORIA L. BEATLEY
Treasurer / Auditor

**BOWE, ARNESON, WILES
& GIANNONE**
Legal Counsel

Subject: Proposed "Banning Ranch Sphere of Influence Amendment (SOI 06-20)"

Dear Mr. Aldrich:

Mesa Consolidated Water District (Mesa) provides the following comments on the proposed project.

Mesa is well positioned to provide water service to the Banning Ranch area. Mesa has transmission (30-inch and 16-inch in diameter) and distribution pipelines (8-inch in diameter) adjacent to the Banning Ranch area. Mesa has a ten million gallon reservoir and pump station in the vicinity of Banning Ranch near the intersection of 19th Street and Placentia Avenue. Water service can logically be extended to the area through City of Costa Mesa streets, specifically West 17th and West 18th Streets.

Mesa appreciates the opportunity to comment on the proposed project. If you have any questions please contact Bob McVicker, District Engineer at (949) 631-1291 or via e-mail at bobm@mesawater.org.

Sincerely,


Diana M. Leach
General Manager

c: Board of Directors
Bob McVicker, District Engineer
Allan Roeder, Costa Mesa City Manager